

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 AID-05 COME-00 EB-07 FRB-03 XMB-02
OPIC-03 LAB-04 EPG-02 SIL-01 OMB-01 DHA-02 EURE-00
/088 W

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P R 311635Z MAY 77
FM AMEMBASSY ROME
TO SECSTATE WASHDC PRIORITY 4965
TREASURY DEPT WASHDC PRIORITY
INFO AMEMBASSY BRUSSELS
AMCONSUL MILAN
AMCONSUL NAPLES
AMEMBASSY PARIS

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USOECB; USEEC

E.O. 11652: N/A
TAGS: EFIN, IT
SUBJECT: DC DOCUMENT AS BASIS FOR PROGRAMMATIC ACCORD

REF: ROME 8852

1. SUMMARY. ON MAY 29, ITALIAN PRESS CARRIED DESCRIPTION OF CONTENTS OF DC DOCUMENT CIRCULATED TO ABSTENTION PARTIES WHICH PURPORTS TO DESCRIBE CURRENT STATUS OF BILATERAL TALKS AMONG POLITICAL PARTIES CONCERNING FOUR MAIN SUBJECTS WHICH MAY BE INCLUDED IN THE EVENTUAL PROGRAMMATIC ACCORD, I.E., PUBLIC ORDER, ECONOMIC POLICY, LOCAL GOVERNMENT, AND HEALTH AND SCHOOL REFORMS. INITIAL REACTIONS TO DOCUMENT ARE THAT IT IS RATHER VAGUE AND GENERAL, WITH SOCIALISTS PARTICULAR
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DISCONTENTED (SEPTTEL). NOT SURPRISINGLY, DOCUMENT TENDS TO EMPHASIZE DC PARTY POSITIONS ON THESE ISSUES. DC POLICY PROPOSALS SEEM CONSISTENT WITH GOI ECONOMIC POLICY COMMITMENTS MADE IN IMF IN LETTER OF INTENT. END SUMMARY.

2. PUBLIC ORDER. ON DEMOCRATIC ORDER AND THE SAFETY

OF CITIZENS, DOCUMENT STATES THAT THE MEETINGS EVIDENCED A BROAD WILLINGNESS OF THE PARTIES TO FIND POINTS OF AGREEMENT WITHIN THE FOLLOWING FRAMEWORK: A GENERAL AWARENESS THAT, OWING TO THE INCREASINGLY GRAVE SITUATION WHICH ENDANGERS THE CITIZENS' LIFE, FREEDOM, POSSESSIONS AND JEOPARDIZES THE FUNCTIONS OF DEMOCRATIC INSTITUTIONS, URGENT AND EFFECTIVE MEASURES MUST BE ADOPTED IN ORDER TO A) PREVENT CRIMINALITY, B) REORGANIZE THE POLICE FORCES, C) ASSURE CONTROL BETTER IN PRISONS, D) MAKE STATE INFORMATION AND SECURITY SERVICES MORE EFFICIENT, AND E) ENABLE THE MAGISTRACY TO TAKE ACTION IN A TIMELY AND ADEQUATE MANNER. "WE AGREE THAT THE FOLLOWING MEASURES MUST BE ADOPTED FOR A LIMITED PERIOD TIME AND ON THE BASIS OF RESPECT FOR THE PRINCIPLES OF FREEDOM AND QUARANTEES PROVIDED FOR BY THE CONSTITUTION."

A. TEMPORARY ARREST (PREVENTIVE DETENTION). TO BE APPLIED ONLY FOR CERTAIN CRIMES. "SOME OF THE PARTIES HAVE EXPRESSED RESERVATIONS WITH REGARD TO THIS PROPOSAL AND HAVE ASKED THAT THE EXISTING LAW BE FULLY APPLIED, THAT THIS LAW IS NOT SUFFICIENT AND THAT FURTHER CLEAR AND APPLICABLE PROVISIONS ARE NECESSARY."

B. WIRETAPS. CAN BE USED ONLY IN CASES OF TERRORISTIC ACTS AND KIDNAPPINGS AND THEY MUST BE AUTHORIZED IN ORDER TO "ACQUIRE INVESTIGATIVE INFORMATION." THEY CANNOT BE USED AS EVIDENCE IN TRIALS."

C. POLICE INTERROGATION. POSSIBLE IMMEDIATELY AFTER ARREST. LIMITED OFFICIAL USE

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THIS, TOO, "WITHOUT EVIDENTIAL VALUE IN TRIALS AND ONLY FOR THE PURPOSE OF ACQUIRING FACTS ON WHICH AN INVESTIGATION CAN BE BASED."

D. SUBVERSIVE HANGOUTS. POSSIBILITY OF CLOSING THEM "BY ADMINISTRATIVE MEASURES SUBSEQUENTLY RATIFIED BY THE MAGISTRATE."

E. POLICE REFORM. THE DOCUMENT UNDERSCORES "SIGNIFICANT AGREEMENT ON THE PROBLEMS OF REORGANIZATION AND COORDINATION OF THE POLICE FORCE," BUT CONFIRMS THE DIFFERENCES OF OPINION WITH REGARD TO THE UNIONIZATION OF THE POLICE. THE DC CONFIRMS ITS IDEA OF "A SINGLE ORGANIZATION INDEPENDENT OF PARTIES AND OF THE VARIOUS LABOR UNIONS WHICH ORGANIZE OTHER CATEGORIES OF WORKERS."

F. SECRET SERVICES. AS REGARDS STATE INFORMATION AND SECURITY SERVICES, THE DOCUMENT UNDERSCORES THE NEED FOR "A POLITICAL COMMITMENT TO INCREASE THEIR EFFICIENCY AND STRENGTH."

G. MAGISTRACY. A CHANGE FROM COLLEGIAL COURTS TO A SINGLE-MAN COURT IS REGARDED WITH FAVOR, BUT CONCERN WAS EXPRESSED AS TO MEANS OF EXPANDING THE NUMBER OF ONE-JUDGE COURTS AND ABOUT THE PRESENT TENDENCY OF (LEFT-WING) MAGISTRATES NOT TO FEEL OBLIGED TO APPLY THE LETTER OF THE LAW STRICTLY BECAUSE IN THEIR VIEW IT IS OUT OF DATE, FASCIST, ETC.

3. ECONOMIC POLICY. DOCUMENT DESCRIBES FOUR ECONOMIC PHENOMENA WHICH ARE PARTICULARLY WORRISOME: A) PERSISTENCE OF VERY HIGH RATE OF INFLATION, B) LARGE BALANCE OF PAYMENTS DEFICIT AND HEAVY FOREIGN DEBT BURDEN, COMPARED TO SIZE OF OFFICIAL RESERVES, C) DEFICITS IN PUBLIC SECTOR, AND D) INSUFFICIENT GROWTH OF INVESTMENT AND EMPLOYMENT, ESPECIALLY EMPLOYMENT OF YOUTH. RESOLUTION OF THESE PROBLEMS WOULD BE ACHIEVED LIMITED OFFICIAL USE

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BY: A) DRASTICALLY REDUCING BUDGET DEFICIT, INCLUDING THAT OF CURRENT EXPENDITURES OF CENTRAL GOVERNMENT, LOCAL GOVERNMENTS, SOCIAL AND HEALTH INSURANCE INSTITUTES, AND MUNICIPAL ENTERPRISES, B) CARRYING OUT AN ACTIVE LABOR POLICY TO REDUCE UNIT LABOR COSTS, C) IMMEDIATE EMPLOYMENT OF AVAILABLE RESOURCES FOR INVESTMENT, AND D) AN ACTIVE POLICY FOR THE BUSINESS SECTOR.

4. IN ORDER TO REDUCE BUDGET DEFICIT, DOCUMENT CALLS FOR COMMON COMMITMENT BY GOVERNMENT AND PARLIAMENT TO ADOPT RESPONSIBLE METHODS FOR PROGRAMMING PUBLIC EXPENDITURES. IN ORDER TO REDUCE THE DEFICITS IN ACCORDANCE WITH COMMITMENTS CONTAINED IN IMF LETTER OF INTENT, CUTS OF 1,000 BILLION LIRE WOULD BE REQUIRED IN 1977 AND 5,000 BILLION LIRE IN 1978. DC STATES THAT SIZE OF CUTS DISCUSSED AMONG POLITICAL PARTIES WOULD BE ADEQUATE, BUT THERE MUST BE COHERENT POLITICAL COMMITMENT SINCE SOME DRASTIC REDUCTIONS IN CURRENT EXPENDITURES OF THE GOVERNMENT WILL BE REQUIRED. SIMILARLY SEVERE CUTS MUST BE MADE IN DEFICITS OF HEALTH SECTOR, IN DEFICITS OF MUNICIPAL GOVERNMENTS AND MUNICIPAL ENTERPRISES. ABUSES OF PENSION SYSTEM MUST BE REDUCED. IN SUPPORT OF LIMITATIONS OF EXPENDITURES, THERE SHOULD ALSO BE INCREASE IN TAX RECEIPTS EQUAL TO NO LESS THAN 2 PERCENT OF THE INCREASE IN NATIONAL INCOME. THIS WOULD BE ACHIEVED THROUGH A POLICY OF TAX EQUITY AND REDUCTION OF TAX EVASION.

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5. CONCERNING REDUCTIONS IN UNIT LABOR COSTS, DC
CALLS FOR WIDE-SCALED DEBATE IN COORDINATION WITH LABOR
AND BUSINESS ORGANIZATIONS ON GRADUAL REFORM OF STRUCTURE
OF SALARIES AND OF THE STRUCTURE OF LABOR COST GENERALLY.
DOCUMENT ALSO INDICATES THAT ALTHOUGH LABOR COST PROBLEMS
ARE NOT FORESEEN DURING 1977 AS RESULT OF MEASURES
ALREADY TAKEN, DC BELIEVES THAT ALL PARTIES HAVE COMMIT-
MENT TO RE-EXAMINE LABOR COST PROBLEM IN THE SECOND
HALF OF 1977 AND IN THE LIGHT OF DEVELOPMENTS IN THE
SCALA MOBILE (WAGE INDEXATION SYSTEM) AND OF THE
RESULTS OF CURRENT COMPANY-LEVEL WAGE CONTRACT
NEGOTIATIONS. IF COST OF LIVING WAGE ADJUSTMENTS IN
1977 SHOULD EXCEED LIMITS EMBODIED IN LETTER OF
INTENT, NEW MEASURES WOULD BECOME NECESSARY EITHER THROUGH
MODIFICATION OF SCALA MOBILE OR THROUGH COMPENSATORY
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TAX MEASURES IN 1978, SUCH AS A TAX ON INCREASE IN IN-
COMES. ANY SUCH TAXES SHOULD APPLY TO ALL TAXPAYERS,
EXCEPT FOR LOWEST INCOME LEVELS.

6. CONCERNING INVESTMENT, DOCUMENT CALLS FOR RE-LAUNCHING OF INVESTMENT IN THE SOUTH, AGRICULTURE, YOUTH EMPLOYMENT, TRANSPORT, AND ENERGY. HOWEVER, FIRST PRIORITY IS GIVEN TO INVESTMENT IN RESIDENTIAL HOUSING, WHICH IS TO BE STRICTLY RELATED TO FINAL VERSION OF PENDING RENT CONTROL LAW. DOCUMENT CALLS FOR RE-LAUNCHING PUBLIC HOUSING AND STIMULATING SUBSIDIZED HOUSING. FOR LATTER, SYSTEM OF INDEXED RENTS WOULD PERMIT EXCLUSION OF SUCH HOUSING FROM EFFECTS OF NEW RENT CONTROL LAW. DOCUMENT ALSO SUGGESTS INTRODUCTION OF INDEXED HOUSING LOANS AND ADOPTION OF SAVING SCHEME FOR FINANCING RESIDENTIAL HOUSING. NONETHELESS, HOUSING INVESTMENT MUST STILL DEPEND PRIMARILY UPON PRIVATE INITIATIVE. CONSEQUENTLY, RENT CONTROL LAW MUST TAKE INTO ACCOUNT A FAIR YIELD ON PRIVATE SAVINGS INVESTED IN HOUSING SECTOR.

7. DOCUMENT CALLS FOR ACTIVE POLICY FOR BUSINESS SECTOR WHICH WOULD ENCOURAGE TECHNICAL INNOVATION, ACCUMULATION OF RISK CAPITAL, AND RATIONAL EMPLOYMENT OF AVAILABLE CAPITAL RESOURCES. POLICY WOULD FAVOR DEVELOPMENT BOTH OF PRIVATE BUSINESS AND OF PUBLIC FIRMS, INCLUDING STATE HOLDING COMPANIES. HOWEVER, DOCUMENT OPPOSES EXPANSION OF PUBLIC OWNERSHIP IN PRODUCTIVE SECTOR. FINALLY, FINANCIAL PROBLEMS OF BUSINESS SECTOR MUST BE DEALT WITH IN POSITIVE MANNER, WHILE PRICE CONTROL ARRANGEMENTS SHOULD BE EXPANDED.

8. LOCAL GOVERNMENT. DC CONFIRMS ITS SUPPORT FOR TRANSFER FROM CENTRAL GOVERNMENT TO THE REGIONS OF ALL ADMINISTRATIVE RESPONSIBILITIES CALLED FOR BY ARTICLE 117 OF THE CONSTITUTION. DOCUMENT SUPPORTS LIMITED OFFICIAL USE

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CONTINUATION OF SYSTEM OF PROVINCIAL GOVERNMENTS, DESPITE CRITICISMS FROM SOME PARTIES. HOWEVER, AUTONOMY OF MUNICIPAL GOVERNMENT FINANCE SHOULD NOT UNDERMINE NATIONAL FINANCIAL POLICIES. IN PARTICULAR, SOLUTION OF GRAVE DEFICIT POSITIONS OF MUNICIPAL GOVERNMENTS IS PROPOSED THROUGH ASSUMPTION BY CENTRAL GOVERNMENT OF NO MORE THAN 50 PERCENT OF SUCH DEBT AND LONG-TERM CONSOLIDATION OF THE REMAINDER. MUNICIPAL GOVERNMENTS WOULD CONTINUE TO SHARE REVENUES OF CENTRAL GOVERNMENT. IN ORDER TO RESTORE FINANCIAL EQUILIBRIUM IN BUDGETS OF LOCAL GOVERNMENTS, DOCUMENT PROPOSES DELEGATION OF AUTHORITY TO GOVERNMENT FROM PARLIAMENT FOR NEW SYSTEM OF RULES TO CONTROL LOCAL GOVERNMENT SPENDING WITH A REGIONAL ACCOUNTING FRAMEWORK. DOCUMENT LEAVES OPEN QUESTION OF WHETHER OR NOT AUTONOMOUS

TAXING AUTHORITY SHOULD BE RESTORED TO MUNICIPAL GOVERNMENTS.

9. HEALTH AND SCHOOL REFORMS. DOCUMENT IS VERY BRIEF IN DEALING WITH THESE SUBJECTS, MAINLY POINTING OUT THAT PARLIAMENTARY DEBATE WILL OFFER OPPORTUNITY FOR FURTHER EXAMINATION OF THESE PROBLEMS. DOCUMENT DOES RECOMMEND THAT COMPATABILITY BETWEEN COSTS OF REFORM AND GENERAL OBJECTIVES OF ECONOMIC POLICY BE SAFEGUARDED.

10. COMMENT. CONTENT OF DC DOCUMENT AS REPORTED BY PRESS SEEMS TO CONFORM QUITE WELL TO COMMITMENTS UNDERTAKEN BY GOI IN LETTER OF INTENT TO IMF AND IN LOAN CONDITIONS ATTACHED TO EC BORROWING. HOWEVER, DOCUMENT IS QUITE VAGUE IN TERMS OF SPECIFIC POLICIES, AND IT, NO DOUBT, MAINLY REFLECTS VIEW OF DC PARTY. CERTAINLY, PARTY REACTION (SEPTTEL) SUGGEST THAT FINAL ACCORD MAY WELL CONTAIN MODIFICATIONS OF PROPOSALS CONTAINED IN DC DOCUMENT, PARTICULARLY WITH REGARD TO LABOR COST QUESTION. GARDNER

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Message Attributes

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Disposition Date: 22 May 2009
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SAS ID: 2376849
Secure: OPEN
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TAGS: EFIN, IT
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